

**HUNGRY CANYONS ALLIANCE, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

November 5, 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hungry Canyons Alliance, Inc.
Oakland, IA

Report on the Financial Statements

We have audited the accompanying financial statements of Hungry Canyons Alliance, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...

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November 5, 2020
Hungry Canyons Alliance, Inc.
Independent Auditors' Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hungry Canyons Alliance, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

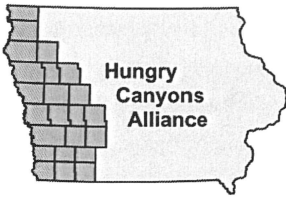
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Information on pages 5 through 8, and page 17, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2020, on our consideration of Hungry Canyons Alliance, Inc.'s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hungry Canyons Alliance, Inc.'s internal control over financial reporting and compliance.



Schroer and Associates, PC
Council Bluffs, IA

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Hungry Canyons Alliance, Inc. (HCA) provides this Management's Discussion and Analysis of the HCA's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the HCA's financial statements which follow.

2020 Financial Highlights

- HCA Federal appropriations were \$0 for FY2020 and FY2019.
- HCA State appropriations were \$500,000 for FY 2020 and \$450,000 for FY 2019.
- The HCA's total net assets with donor restrictions (funds available for Grade Control Structures-GCS) increased by \$267,791 from June 30, 2019 to June 30, 2020, or approximately 17.5%. This increase is due to a reduction in the number of projects completed and the slight increase in appropriations.
- The HCA's total liabilities and net assets increased by \$267,248 or approximately 16.7%, from June 30, 2019 to June 30, 2020. This increase is again due to a reduction in the number of projects completed and the slight increase in appropriations.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the HCA's financial activities.

The basic financial statements consist of a Statement of Financial Position including assets, liabilities, and net assets, a Statement of Activities and Changes in Net Assets, and a Statement of Cash Flows. These statements provide information about the activities of the HCA, on a comparative basis, including resources held by the HCA but restricted for specific purposes by legislation or by the HCA's Board of Directors.

Notes to Financial Statements (pg.13-16) provide additional information essential to a full understanding of the data provided in the basic financial statements.

Reporting the HCA's Financial Activities

The Statement of Financial Position and Statement of Activities and Changes in Net Assets

One of the most important questions regarding the HCA's finances is "Was the HCA monetarily able to attain its goals during the year?" The Statement of Financial Position and the Statement of Activities and Changes in Net Assets report information about the HCA's resources and its activities in a way that helps answer this question. These statements include all assets (restricted and unrestricted) and all liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the HCA's net assets, which is the difference between assets and liabilities, as one way to measure the HCA's financial position. Over time, increases or decreases in the HCA's net assets are indicators of whether its financial position is improving or deteriorating. Additional factors, such as changes in the number of member counties involved in the HCA, changes in appropriations and legislation, measures of the number and type of GCS approved or built, and the amount of local matching funds, are also important in making this determination.

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from three defined types of activities: cost share for county GCS, cost share for small GCS, and research. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

Financial Analysis of the HCA

Assets, Liabilities and Net Assets		
	June 30,	
	2020	2019
Current assets	\$ 1,871,254	\$ 1,604,006
Total assets	\$ 1,871,254	\$ 1,604,006
Current liabilities		
Deferred income	\$ 42,500	\$ 44,000
Total current liabilities	42,500	44,000
Net assets:		
Without donor restrictions		
Undesignated	30,726	29,769
With donor restrictions		
Interest funds	87,290	115,831
State funds	1,710,738	1,414,406
	1,798,028	1,530,237
Total net assets	1,828,754	1,560,006
Total liabilities and net assets	\$ 1,871,254	\$ 1,604,006

The HCA's total net assets with donor restrictions (funds available for GCS) increased by \$267,791 from June 30, 2019 to June 30, 2020, or approximately 17.5%. This increase is due to a reduction in the number of projects completed and the slight increase in appropriations. This increase would have been larger had allowable administration expenses not increased; the state legislature increased the amount of administration allowed to be taken from state appropriations by 5% for FY20. However, we view the increase in allowable administration expenses as a good thing because it prevented further depletion of our funds set aside specifically for administration, research, and small GCS projects.

As noted earlier, net assets may serve over time as a useful indicator of financial position. The HCA's net assets increased by \$268,748, or approximately 17.2%, and the HCA's total liabilities and net assets increased by \$267,248, or approximately 16.7%, from June 30, 2019 to June 30, 2020. Again, these increases are due to the reduction in the number of projects completed and the slight increase in appropriations.

The following shows the changes in net assets for the HCA.

Revenues, Expenses and Changes in Net Assets			
	June 30,		
	2020	2019	
Operating revenues:			
State Appropriations	\$ 500,000	\$ 450,000	
State Contract Pass-Through	7,162	-	
County Contributions	76,000	71,250	
Interest	19,697	10,906	
Other	1,520	1,310	
Total operating revenues	604,379	533,466	
Operating expenses:			
Administrative	153,750	133,500	
General	4,411	4,640	
Lobbying	7,500	7,500	
State GCS Completed	153,668	362,303	
Small GCS	16,302	6,661	
Total operating expenses	335,631	514,604	
Change in net assets	268,748	18,862	
Net Assets – Beginning of Year	1,560,006	1,541,144	
Net Assets – End of Year	\$ 1,828,754	\$ 1,560,006	

The amount of state funds paid for completed GCS decreased by \$208,635 from June 30, 2019 to June 30, 2020. The decrease in state funds paid for completed GCS was due to the completion of a relatively low number of projects in FY20 because most western Iowa counties were busy dealing with flood damage from an event in March 2019 and then a prolonged flood of the Missouri River throughout the rest of 2019.

Construction of in-stream GCS is the goal of the HCA. When applications are received from the counties and approved, all restricted fund resources are available immediately and obligated to the newly approved GCS each quarter. GCS are completed and paid year-around, so an average of 15-25 structures are in progress year-around. The variability and unpredictable nature associated with the timing of structure completions creates the need for immediate cash flow to the counties. The small structure program is funded with interest earned from state and county funds to protect farmlands from gully erosion.

The cost-share paid to the counties from federal and/or state appropriations does not constitute any HCA, federal, or state ownership of those structures. The HCA does not retain any infrastructure assets with the county structures program or with the small structures program.

The following table lists the funds for county structure cost share that the HCA has administered during the fiscal years 2002 through 2020.

Funds Administered by HCA - 2002 to 2020

Year	Federal Funds Appropriated	State Funds Appropriated	County Fee	Total Contribution	Federal Funds % of Total
2002	\$ 800,000	\$ 441,667	\$ 55,000	\$ 1,296,667	0.62
2003	\$ 1,200,000	\$ -	\$ 37,500	\$ 1,237,500	0.97
2004	\$ 1,200,000	\$ 400,000	\$ 40,000	\$ 1,640,000	0.73
2005	\$ 1,190,400	\$ 400,000	\$ 42,500	\$ 1,632,900	0.73
2006	\$ 1,188,000	\$ 400,000	\$ 42,500	\$ 1,630,500	0.73
2007	\$ -	\$ 400,000	\$ 51,000	\$ 451,000	0.00
2008	\$ 851,994	\$ 386,667	\$ 56,000	\$ 1,294,661	0.66
2009	\$ 282,000	\$ 400,000	\$ 56,000	\$ 738,000	0.38
2010	\$ 282,000	\$ 500,000	\$ 56,000	\$ 838,000	0.34
2011	\$ -	\$ 323,000	\$ 57,000	\$ 380,000	0.00
2012	\$ -	\$ 356,250	\$ 57,000	\$ 413,250	0.00
2013	\$ -	\$ 393,750	\$ 57,000	\$ 450,750	0.00
2014	\$ -	\$ 450,000	\$ 57,000	\$ 507,000	0.00
2015	\$ -	\$ 450,000	\$ 57,000	\$ 507,000	0.00
2016	\$ -	\$ 450,000	\$ 57,000	\$ 507,000	0.00
2017	\$ -	\$ 450,000	\$ 61,750	\$ 511,750	0.00
2018	\$ -	\$ 450,000	\$ 66,500	\$ 516,500	0.00
2019	\$ -	\$ 450,000	\$ 71,250	\$ 521,250	0.00
2020	\$ -	\$ 500,000	\$ 76,000	\$ 576,000	0.00
Total	\$ 6,994,394	\$ 7,601,334	\$ 1,054,000	\$ 15,649,728	0.46

Factors Affecting the HCA's Future

Overall, the HCA maintained its good financial position during the current fiscal year. However, the condition of the national, state, and local economies will continue to be a concern for the HCA Board of Directors. Some of the realities that may potentially become challenges for the HCA are:

- Ensuring that infrastructure protection and mitigating the negative impacts of streambed degradation remains an issue of priority in the eyes of federal, state, county, and local governments.
- Reductions in state appropriations. The HCA needs continued state funding to match potential federal appropriations and federal EWP funding. The HCA may be able to receive state funding through a proposed natural resources trust fund; however, federal earmark appropriations have ended for the foreseeable future. It is estimated that an additional 400 bridges/culverts in western Iowa still need protection from streambed degradation. At an average of \$65,000 per project, the HCA will need appropriations of \$26,000,000 in state and federal funding to complete our mission of completely protecting western Iowa's infrastructure.
- The HCA program requires counties provide 20% match in order to receive cost share. Funding reductions for local governments may limit the amount of matching funds available for projects, thus limiting the total number of projects.

Contacting the HCA's Financial Management

This financial report is designed to provide federal, state, and county governments, partners, and taxpayers with a general overview of the HCA's finances and to show the HCA's accountability for the money it receives. If you have questions about this report and/or need additional financial information, contact Hungry Canyons Alliance, Inc., 712 S. Hwy. 6 & 59, P.O. Box 189, Oakland, IA 51560-0189.

FINANCIAL STATEMENTS

HUNGRY CANYONS ALLIANCE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 1,871,254	\$ 1,604,006
Total current assets	<u>1,871,254</u>	<u>1,604,006</u>
Property and Equipment		
Equipment	13,661	13,661
Less accumulated depreciation	<u>13,661</u>	<u>13,661</u>
Net property and equipment	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,871,254</u>	<u>\$ 1,604,006</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Deferred income	\$ 42,500	\$ 44,000
Total current liabilities	<u>42,500</u>	<u>44,000</u>
Net assets		
Without donor restrictions		
Undesignated	<u>30,726</u>	<u>29,769</u>
Total	<u>30,726</u>	<u>29,769</u>
With donor restrictions		
Interest funds	87,290	115,831
State funds	<u>1,710,738</u>	<u>1,414,406</u>
Total	<u>1,798,028</u>	<u>1,530,237</u>
Total net assets	<u>1,828,754</u>	<u>1,560,006</u>
Total liabilities and net assets	<u>\$ 1,871,254</u>	<u>\$ 1,604,006</u>

See Accompanying Notes to Financial Statement

HUNGRY CANYONS ALLIANCE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
State appropriations	\$ -	500,000	500,000	\$ -	450,000	450,000
State pass-through grant	7,162	-	7,162	-	-	-
County support	76,000	-	76,000	71,250	-	71,250
Interest	544	19,153	19,697	717	10,189	10,906
Miscellaneous	1,520	-	1,520	1,310	-	1,310
Released from donor restrictions	251,362	(251,362)	-	426,463	(426,463)	-
Total support and revenue	336,588	267,791	604,379	499,740	33,726	533,466
Expenses						
Program services:						
County structures	153,668	-	153,668	362,303	-	362,303
Small structures	16,302	-	16,302	6,661	-	6,661
Support services:						
Administrative salaries and fees	153,750	-	153,750	133,500	-	133,500
Lobbying fees	7,500	-	7,500	7,500	-	7,500
Other management and general expenses	4,411	-	4,411	4,640	-	4,640
Total expenses	335,631	-	335,631	514,604	-	514,604
Change in net assets	957	267,791	268,748	(14,864)	33,726	18,862
Net assets, beginning of year	29,769	1,530,237	1,560,006	44,633	1,496,511	1,541,144
Net assets, end of year	\$ 30,726	1,798,028	1,828,754	\$ 29,769	1,530,237	1,560,006

See Accompanying Notes to Financial Statement

HUNGRY CANYONS ALLIANCE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 268,748	\$ 18,862
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Increase (decrease) in:		
Payables	-	(426)
Deferred income	(1,500)	2,750
Net cash provided by (used in) operating activities	<u>267,248</u>	<u>21,186</u>
Net change in cash	267,248	21,186
Cash and cash equivalents, beginning of year	<u>1,604,006</u>	<u>1,582,820</u>
Cash and cash equivalents, end of year	<u>\$ 1,871,254</u>	<u>\$ 1,604,006</u>

See Accompanying Notes to Financial Statement

HUNGRY CANYONS ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nature of Activities – The Hungry Canyons Alliance, Inc. is a private nonprofit corporation organized under Chapter 504(A), Code of Iowa in 1981. The Organization's primary focus is to protect the loess soils region of western Iowa from stream channel degradation. The Organization provides demonstrations, conducts research in effective methods, and provides financial and technical assistance for streambed stabilization projects in twenty-three counties.

The Organization is funded primarily through federal agency contracts, appropriations from state governmental agencies and support from local county governments.

Federal projects, awarded through the Hungry Canyons Alliance, Inc., receive federal funding for infrastructure protection through an approved cooperative agreement with the U.S. Department of Agriculture-Natural Resources Conservation Service. Federal awards and state appropriations provide the county cost-share for construction of stream control structures throughout the loess soils region of western Iowa.

The accompanying financial statements, which include all programs administered by Hungry Canyons Alliance, Inc., have been prepared in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other accounting principles appropriate for non-profit associations.

The Organization's Board of Directors is comprised of representatives from each county served and are appointed by the County Board of Supervisors annually.

The statements of financial position, activities and changes in net assets, and cash flows are all organization-wide financial statements. They report information for all Hungry Canyons Alliance, Inc.'s activities, which are in turn all deemed to be governmental activities. The Organization has no proprietary type activities.

Revenue Recognition – Revenues from appropriations, grants and other services are recognized when received or accrued. State appropriations, and interest earned thereon, in excess of related program expenses are recorded as net assets with donor restrictions until those funds are expended.

Income Taxes – The Organization is considered to be an affiliate of a governmental unit, making it exempt from state and federal income taxes under the Internal Revenue Code and, accordingly, no provision has been made for income tax liabilities or expense. The Organization is not considered a private foundation.

HUNGRY CANYONS ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents – For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchases with maturity of three-months or less to be cash equivalents.

Property and Equipment – Equipment consists primarily of office equipment and is recorded at cost. Depreciation is provided on a straight-line basis over the five year estimated lives of the equipment.

Deferred Revenue – Deferred revenue represents county membership fees collected for the next fiscal period.

Concentration of Credit Risk – The Organization receives a substantial portion of its revenue from state grants. A significant reduction in the level of government funding would have a major effect on the Organization's programs and activities. The Organization also receives federal, state and county funding.

Cash funds deposited in excess of federally insured limits are protected by the Iowa State Sinking Fund for banks and savings associations, which covers Iowa uninsured public funds.

Fair Value of Financial Instruments – The carrying amounts of cash, receivables, accounts payable, accrued expenses, and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

Donor Imposed Restrictions – All contributions are considered to be available for any purpose in performing the primary objectives of the Organization unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. The Organization's net assets with donor restrictions consist of state appropriations and interest earned on such appropriations, and are restricted for streambed stabilization projects.

Date of Management Review – Management has evaluated subsequent events through November 5, 2020, the date the financial statements were available to be issued.

HUNGRY CANYONS ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 STRUCTURE COST COMMITMENTS

The Organization has approved various projects with local counties for soil stabilization projects. Formerly, when these projects were approved, the cost was recorded as an appropriated expense. The Organization has committed funding to the following projects not completed as of June 30, 2020:

State Projects	\$	794,582
Stream Profile Surveys		<u>8,000</u>
	\$	<u>802,582</u>

These commitments are not reflected in the financial statements.

NOTE 3 COOPERATIVE AGREEMENT

The Organization enters into, on an annual basis, a cooperative agreement with Golden Hills Resource Conservation and Development, Inc. Under this agreement, Golden Hill Resource Conservation and Development, Inc. performs various duties, as follows: (1) assists in the job description, salary determination and hiring of a project director for Hungry Canyons Alliance, Inc., (2) provides training, technical assistance, office space and some equipment for use by the project director; (3) provides supervision and evaluation of performance of the project director; and (4) provides management of and accounting services for the Hungry Canyons Alliance, Inc. funds. Pursuant to this management agreement, the Organization made payments to Golden Hills Resource Conservation and Development, Inc. for administrative duties and payroll reimbursements in the amount of \$145,000 and \$133,500 for the years ended June 30, 2020 and 2019, respectively.

NOTE 4 RELATED PARTY TRANSACTIONS

Hungry Canyons Alliance, Inc. received \$500,000 and \$450,000 in passed through state support from Loess Hills Development and Conservation Authority for the years ended June 30, 2020 and 2019, respectively. Hungry Canyons Alliance, Inc. is considered an affiliate of this governmental unit. Hungry Canyons Alliance, Inc. also expensed \$8,750 and \$9,000 in administrative support to this Organization for the years ended June 30, 2020 and 2019, respectively.

HUNGRY CANYONS ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restriction within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year (amounts committed for project costs) totaled \$802,582 and \$978,259 at June 30, 2020 and 2019, respectively.

	2020	2019
Financial assets at year-end	\$ 1,871,254	\$ 1,604,006
Less those unavailable for general expenditures within one year	<u>995,446</u>	<u>551,978</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>878,808</u>	\$ <u>1,052,028</u>

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in repurchase agreements with its primary bank. Repurchase agreements are short term investments sold at banks.

NOTE 6 NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 provides a single model for entities to use in accounting for revenue arising from contracts with customers. The new standard also requires expanded disclosures regarding the qualitative and quantitative information about the nature, amount, timing, and uncertainty of revenue. The Organization adopted ASU 2014-09 on July 1, 2019. The amount and timing of revenue recognition was not impacted by the new standard, and, therefore, no cumulative adjustment was recognized in net assets upon adoption.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization implement ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation.

**HUNGRY CANYONS ALLIANCE, INC.
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Budget Variance Favorable (Unfavorable)</u>
Support and Revenue			
Federal contracts	\$ 2,000	\$ -	\$ (2,000)
State contracts	500,000	500,000	-
State pass-through grant	15,000	7,162	(7,838)
County support	76,000	76,000	-
Interest	-	19,697	19,697
Miscellaneous	-	1,520	1,520
Total support and revenue	<u>593,000</u>	<u>604,379</u>	<u>11,379</u>
Expenses			
State funds			
State structures	861,790	145,668	716,122
Administrative expenses	50,000	60,000	(10,000)
Research and development	500	-	500
Stage discharge study	-	-	-
Aerial stream video reconnaissance	500	-	500
Experimental scrap tire structure	8,500	-	8,500
Experimental bored headcut basins	20,000	-	20,000
Stream profile surveys	20,000	8,000	12,000
Road signs	500	-	500
Interest funds			
Small structures	30,000	16,302	13,698
Other funds			
Administrative expenses	93,750	93,750	-
Insurance	700	632	68
Supplies	1,700	54	1,646
Meetings and travel	4,000	2,533	1,467
Office assistants	600	631	(31)
Subscriptions	100	-	100
Miscellaneous	700	124	576
Lobbyist	7,500	7,500	-
Lobbying trips	500	437	63
Services to counties	200	-	200
Total expenses	<u>1,101,540</u>	<u>335,631</u>	<u>765,909</u>
Change in net assets	(508,540)	268,748	777,288
Net assets, beginning of year	<u>595,740</u>	<u>1,560,006</u>	<u>964,266</u>
Net assets, end of year	<u>\$ 87,200</u>	<u>\$ 1,828,754</u>	<u>\$ 1,741,554</u>

See accompanying independent auditors' report



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

November 5, 2020

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Hungry Canyons Alliance, Inc.
Oakland, IA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Hungry Canyons Alliance, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2020.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Hungry Canyons Alliance, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hungry Canyons Alliance, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Hungry Canyons Alliance, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combinations of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Hungry Canyons Alliance, Inc.
Report on Internal Control

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hungry Canyons Alliance, Inc.'s financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Schroer + Associates, P.C.".

Schroer and Associates, PC
Council Bluffs, IA